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JAMES BONINI  
CLERK

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF OHIO  
WESTERN DIVISION

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UNITED STATES OF AMERICA

Plaintiff,

v.

SALVADOR G. RUIZ,

Defendant.

Civil No. **1:06 CV 087**

**SPIEGEL, J.**

**J. HOGAN**

**COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF**

The United States of America, plaintiff, alleges against Salvador G. Ruiz as follows:

**Nature of Complaint**

1. This is a civil action brought by the United States of America pursuant to 28 U.S.C. §§ 1340 and 1345, and Internal Revenue Code (26 U.S.C.; the "Code") §§ 7402, 7407, and 7408 to enjoin Salvador G. Ruiz, and any entity through which he conducts business and any other persons in active concert or participation with him, from:

- (a) Preparing or assisting in the preparation of any federal income tax return for any other person or entity;
- (b) Engaging in conduct subject to penalty under Code § 6701, *i.e.*, preparing or assisting others in the preparation of any tax form or other document to be used in connection with any material matter arising under the internal revenue laws and which the defendant knows will (if so used) result in the understatement of tax liability;
- (c) Understating taxpayers' liabilities as prohibited by Code § 6694;
- (d) Engaging in any similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws; and
- (e) Engaging in any other activity subject to penalty under the Code.

### **Jurisdiction and Venue**

2. This action has been requested by a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to the provisions of Code §§ 7402, 7407, and 7408.

3. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345, and Code §§ 7402(a), 7407, and 7408.

4. Venue is proper in the United States District Court for the Southern District of Ohio under 28 U.S.C. § 1391.

### **Defendant**

5. Salvador G. Ruiz resides and conducts business in Lebanon, Ohio.

### **Defendant's Activities**

6. Ruiz has been preparing other persons' or entities' federal income tax returns for the past 15 years. His fees for return preparation range from \$200 to \$450. Ruiz is an income tax return preparer as defined by Code § 7701(a)(36) because he prepares other people's tax returns for compensation.

7. Returns prepared by Ruiz exhibit the following fraudulent characteristics:

- a. Fabricated charitable deductions;
- b. Fabricated business deductions;
- c. Fabricated unreimbursed employee business expenses;
- d. Fabricated miscellaneous deductions.

8. Ruiz prepares returns that include a completed Schedule C when he knows that the taxpayer has no Schedule C business. Ruiz prepares returns in which he knowingly overstates deductions in order to generate large refunds for his customers.

9. Ruiz tells his customers that he can find deductions that other return preparers are unaware of and that they need not show him receipts or records in order for him to prepare their returns.

10. Ruiz represents to his customers that he is knowledgeable about the federal tax laws.

11. For each of the past four years, Ruiz has prepared between 150 and 200 returns.

12. In July 2005 Ruiz pled guilty to aiding and assisting in the preparation or filing of false federal income tax returns for the tax years 2002 and 2003 in violation of Code § 7206(2). He also pled guilty to subscribing to his own false federal income tax return for tax year 2001 in violation of Code § 7206(1). *United States v. Salvador G. Ruiz*, case no. 1:05cr0102, U.S. Dist. Ct., S.D. Ohio. Judgment was entered on January 19, 2006.

13. As part of his criminal plea agreement, Ruiz admitted to willfully preparing at least 32 false and fraudulent federal income tax returns for the years 2000 through 2003. The tax loss to the government generated by the 32 returns totaled \$134,430. The tax loss does not include adjustments that were not part of the criminal proceeding, including penalties, interest or other additions.

14. In addition to the 32 false and fraudulent returns identified in the criminal case, the IRS has identified at least 15 other returns prepared by Ruiz that are false or fraudulent. In each instance the IRS has uncovered false and inflated Schedule A and/or Schedule C deductions, resulting in large deficiencies for those customers. The average deficiency for the audits that have been completed is over \$6,000 per return.

**COUNT I**  
**(Injunction under Code § 7407)**

15. The United States incorporates the allegations of paragraphs 1 through 14.

16. Code § 7407 authorizes a court to enjoin a paid income tax return preparer if, *inter alia*, the court finds that the return preparer has engaged in conduct subject to penalty under Code § 6694 and that injunctive relief is appropriate to prevent the recurrence of the conduct.

17. Code § 6694 imposes penalties on income tax return preparers who willfully attempt to understate the tax liability of another person.

18. Ruiz has continually and repeatedly engaged in conduct subject to penalty under Code § 6694 by preparing returns that he knows contain fabrications such as false charitable contributions, false business losses, false unreimbursed employee expenses, and other false deductions, which result in substantial understatements of income and tax.

19. Injunctive relief is appropriate to prevent this misconduct because, absent an injunction, Ruiz is likely to continue to prepare false federal income tax returns and engage in other misconduct of the type described in this complaint.

20. Ruiz will likely continue to interfere with the proper administration of the tax laws even if the particular behavior described in this Complaint is enjoined. Accordingly, Ruiz should be permanently enjoined under Code § 7407 from acting as an income tax return preparer.

**COUNT II**  
**(Injunction under Code § 7408)**

21. The United States incorporates the allegations of paragraphs 1 through 20.

22. Code § 7408 authorizes courts to issue injunctions against conduct that is subject to penalty under Code § 6701 or that is subject to any other penalty under the Internal Revenue Code.

23. Ruiz has prepared and filed federal tax returns and other documents for others knowing that the returns or documents would, if used, result in the understatement of another

person's federal tax liability. He has engaged in conduct that is subject to penalty under Code § 6701, and an injunction under Code § 7408 is appropriate.

24. Unless enjoined by the court, Ruiz is likely to continue to prepare tax returns or other documents that he knows will result in the understatement of tax liability. Accordingly, Ruiz should be enjoined under Code § 7408 from engaging in conduct subject to penalty under Code § 6701 or from engaging in any other conduct subject to penalty under the Code.

**COUNT III**  
**(Injunction under Code § 7402)**

25. The United States incorporates the allegations of paragraphs 1 through 24.

26. Code § 7402(a) authorizes courts to issue injunctions as may be necessary or appropriate to enforce the internal revenue laws.

27. Ruiz, through the actions described above, has engaged in conduct that substantially interferes with the administration and enforcement of the internal revenue laws, and is likely to continue to engage in such conduct unless enjoined by this Court. Ruiz's conduct is causing irreparable injury to the United States and an injunction under Code § 7402(a) is necessary and appropriate.

28. The Court should order injunctive relief under Code § 7402(a).

WHEREFORE, the United States of America requests the following relief:

A. That the Court find that Ruiz has continually and repeatedly engaged in conduct subject to penalty under Code § 6694, and that injunctive relief limited to prohibiting such conduct would not be sufficient to prevent Ruiz's interference with the proper administration of the Internal Revenue Code;

B. That the Court, pursuant to Code § 7407, enter a permanent injunction prohibiting

Ruiz from preparing or assisting in the preparation of federal income tax returns or other related documents and forms for others;

C. That the Court find that Ruiz has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against him and anyone acting in concert with him is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and Code § 7402(a);

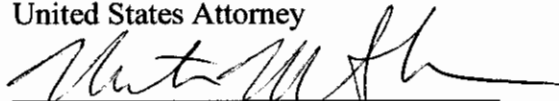
D. That the Court find that Ruiz has engaged in conduct that is subject to penalty under Code § 6701, and an injunction under Code § 7408 is appropriate.

E. That the Court authorize the United States to engage in post-judgment discovery in order to monitor compliance with the Court's injunction; and

F. That the Court grant the United States such other and further relief as the Court deems appropriate.

Dated: February 16, 2006.

GREGORY G. LOCKHART  
United States Attorney



MARTIN M. SHOEMAKER  
Trial Attorney, Tax Division  
U.S. Department of Justice  
Post Office Box 7238  
Washington, D.C. 20044  
Telephone: (202) 514-6491  
Fax: (202) 514-6770  
martin.m.shoemaker@usdoj.gov